



CHARLES FISH INVESTMENTS, INC.

**FORM ADV
PART 2A
FIRM BROCHURE**

***For the Period Ending
December 31, 2010***

CHARLES FISH INVESTMENTS, INC.

2010 Main Street, Suite 130

Irvine, CA 90614

949-296-3970

949-296-3974 (fax)

www.charlesfishinvestments.com

This brochure provides information about the qualifications and business practices of CHARLES FISH INVESTMENTS, INC. The information in this brochure has NOT been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. If you have any questions about the contents of this brochure, please contact us by email at betsy@charlesfishinvestments.com or by telephone at 949-296-3970.

Additional information about CHARLES FISH INVESTMENTS, INC. is available on the SEC's website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

Revised March 24, 2011

This purpose of this section is to inform you of any material changes to prior versions of this brochure.

This brochure is a new document prepared according to new rules and regulations promulgated by the Securities and Exchange Commission ("SEC") in 2010. As such, this document is materially different in both structure and content with regard to information concerning Charles Fish Investments, Inc. ("CFI").

This section, in the future, will contain a summary of any specific material changes that have been made after this initial version as well as the date of the last annual update of this brochure.

It is CFI's policy to regularly and frequently review its policies and procedures and to make any material changes to its brochure as a result of such reviews. As this is the inaugural publication of CFI's Form ADV Part 2A brochure, there are not material changes to report at this time.

Clients and prospective clients may obtain a full and complete copy of CFI's Form ADV Part 2A and its supplemental brochure Part 2B by contacting Betsy Shelton, Chief Compliance Officer at 949.296.3972.



TABLE OF CONTENTS

ADVISORY BUSINESS

Firm Description	1
Advisory Services Offered	1
Principal Owners	2
Assets Under Management	2

FEES AND COMPENSATION

Fee Schedule	2
Billing Method	3
Other Fees and Expenses	3
Termination	4
Other Compensation	4

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Sharing of Capital Gains	5
--------------------------	---

TYPES OF CLIENTS

Discretionary Accounts Requirements	5
Non-Discretionary Accounts Requirements	5



TABLE OF CONTENTS

(continued)

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Methods of Analysis and Investment Strategies	6
General Risk of Loss Statement	7
Investment Risks	7

DISCIPLINARY INFORMATION

Legal and Disciplinary	8
------------------------	---

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Financial Industry Activities	8
Affiliations	8

CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics	9
Participation in Client Transactions	9
Personal Trading	9
Client Privacy	9

BROKERAGE PRACTICES

Selection of Brokerage Firms	10
Best Execution and Allocation	10
Order Aggregation	12



TABLE OF CONTENTS

(continued)

BROKERAGE PRACTICES (cont'd)

Gains and Losses 12

Soft Dollar Arrangements 12

REVIEW OF ACCOUNTS

Ongoing Portfolio Reviews 12

Periodic Client Reviews 13

Account Reporting 13

CLIENT REFERRALS AND OTHER COMPENSATION

Solicitor Relationships 14

Sub-Advisor Relationships 14

Referrals from Broker-Dealers 14

CUSTODY

Third Party Custodian Requirement 15

Account Statements 15

Record Retention and Reconciliation 15

INVESTMENT DISCRETION

Discretionary Authority for Trading 16

VOTING CLIENT SECURITIES

Proxy Votes 16



TABLE OF CONTENTS

(continued)

FINANCIAL INFORMATION

Financial Condition of CFI	16
----------------------------	----

ADV PART 2A – Wrap Fees

Wrap Fee	16
----------	----



ADVISORY BUSINESS

Firm Description

Founded in 1984, CHARLES FISH INVESTMENTS, INC. ("CFI") offers individually tailored investment services for clients with fixed income assets with a particular emphasis on the municipal bond sector. Grounded in the fundamental principal that the best interest of the client comes first, CFI strives to provide highly personalized service designed to meet the specific goals and objectives of each client.

Client funds are never commingled and every bond is selected specifically because it is the best choice for a client's portfolio, based on that client's goals, objectives and risk tolerance.

CFI brings together the expert knowledge and market skills honed from years of working in and with the dealer community and the relentless pursuit of a client's best interest, free of conflicts of interest. CFI provides an exceptional level of service, with the utmost discretion, to a select number of clients. The staff is highly experienced at coordinating its activities with clients' accountants, estate lawyers, and other planners to ensure the fullest possible integration of clients' portfolios with the balance of their assets. All these factors combined allow CFI to provide a level of service that is rarely found elsewhere.

CFI requires all portfolio managers to have a minimum of a four-year college degree and at least five (5) years of experience in the securities industry. Assistant portfolio managers must also have a minimum of a four-year college degree, at least two (2) years of experience in the securities industry, and be under the direct supervision of one or more portfolio managers. To be considered for advancement, an assistant portfolio manager must first meet the abovementioned five (5) year experience requirement.

The firm's normal business hours are Monday through Friday, 7:00 A.M. to 3:00 P.M. PST. CFI follows the recommendation of The Securities Industry and Financial Markets Association ("SIFMA") with regard to holiday closings. SIFMA recommendations normally include an early close to the fixed income markets on the day preceding a holiday. On those days, CFI observes a closing time of twelve (12) Noon Pacific time. Both the early closing and holiday closing are subject to change due to market conditions.

CFI is a Registered Investment Advisor with the Securities and Exchange Commission. All information contained herein is consistent with and subject to the policies and procedures of CFI. CFI is currently notice filed in California and Texas. All CFI Investment Advisory Representatives ("IAR") are licensed by the State of California. The firm's website may be found at www.charlesfishinvestments.com.

Types of Advisory Services Offered

Discretionary Separately Managed Portfolios

CFI offers fixed income investment management services to high net worth clients on a discretionary basis only and has full authority in determining which securities are purchased and sold. The firm actively manages its clients' portfolios, tailoring each to the needs, goals and objectives of that



specific client. Although more than one portfolio may hold a specific security, each holding is selected based on the investment profile agreed upon with the client. Through its extensive network of brokers and dealers serving CFI, the firm is constantly searching for bonds that improve a client portfolio's structure, credit quality and rate of return. Please see ***Methods of Analysis, Investment Strategies and Risk of Loss*** for a more in-depth discussion of CFI's investment management approach.

Non-Discretionary Bank Portfolios

CFI also manages, on a limited basis and at its discretion, the fixed income securities portfolios of financial institutions, specifically banks and thrifts. For regulatory reasons, management of this type of account is done solely on a non-discretionary basis. In such cases, CFI executes only those transactions that have been approved and directed by the client in manner most advantageous to that client.

Principal Owners

CFI has the following officers: Charles W. Fish, Chief Investment Officer; Betsy C. Shelton, Chief Compliance Officer; Kathleen L. Thompson, Chief Operations Officer. CFI is an employee owned firm. At present Mr. Fish is the majority shareholder while Ms. Shelton holds a 10% stake within the firm. CFI also holds approximately 7 % of its outstanding shares as treasury stock to be distributed to current and future employees at the discretion of the Board of Directors. Previously, in around November of 2007, CFI sold most of its assets to an advisory firm named Rockwater Municipal Advisors LLC ("RMA"). However, CFI subsequently exercised its right to unwind the agreement on or about April 15, 2009. All transferred assets were restored to CFI.

Assets under Management

CFI presently manages 64 discretionary portfolios and 4 portfolios on a non-discretionary basis. Total assets as of December 31, 2010 were \$618,671,967 of which \$227,286,944 were non-discretionary.

FEES AND COMPENSATION

Fee Schedule

Investment Management Services

CFI's fees are computed as a percentage of the market value of assets under management and are payable quarterly in advance. On rare occasions and under special circumstances, CFI may agree to charge a fixed fee. However, this type of fee arrangement is limited in its time and scope and should not be considered a standard practice of the firm.



The rates on certain discretionary fixed income portfolios may be negotiable depending upon a number of independent factors including, but not limited to, the size of the account, type of service, and custodial arrangement. The assets of related discretionary accounts may, at the discretion of CFI, be combined for the purpose of calculating the breakpoint on fees. The maximum fee for fixed income accounts is as follows:

- ½ of 1% on the first \$2 million under management
- 3/8 of 1% on the next \$13 million under management
- 1/4 of 1% on the next \$35 million under management

It should be noted that CFI's minimum annual fee is \$7,000. Fees are negotiable on accounts with assets of over \$50 million.

Fees for non-discretionary accounts are negotiable depending upon the size of the portfolio and scope of services to be provided, but will not exceed the fee schedule disclosed above.

Analysis and Consulting Services

Upon request, CFI will perform an account analysis and/or offer its consulting services. The charge for such services is done on a fixed fee basis negotiated at the time of request.

Billing Method

Investment Management Services

Payment of fees to CFI may be made either directly by the client or by the custodian holding the client's funds and securities. Client invoices are mailed, along with the client's quarterly statement of holdings, on or about the 10th business day of the month following the end of the calendar quarter.

Two criteria must be met when the payment is made by the custodian: (1) the client's account must be established in a separate account for each client under the client's name at a qualified independent custodian who will maintain the client's funds and securities; and (2) the client must receive an account statement, at least quarterly, directly from the qualified custodian, which must identify the amount of funds and of each security in the account at the end of the period and set forth all transactions in the account during the period.

Analysis and Consulting Services

CFI invoices fees for analysis and consulting services at the time the project is completed. For projects extending beyond 30 days, fees will be prorated and billed on a monthly basis until such time as the project has been completed, at which time a final bill will be sent to the client.

Other Fees and Expenses

CFI's fees do **NOT** include custodial fees. Custodial fees vary depending upon the particular custodian selected by the client and are in addition to investment management fees paid to CFI. Clients



selecting a custodian that provides additional services beyond safekeeping services may or may not incur higher custodial fees or additional charges.

Although CFI is happy to assist with the selection of a client's custodian, the firm has no control over any custodian's fees or policies and procedures. Clients are encouraged to discuss their concerns or questions before establishing an account with a particular custodian. Please see **CUSTODY** section for additional information.

CFI conducts all transactions on behalf of clients on a net basis wherein any brokerage commission is included in the dollar price. CFI tracks all commissions charged by brokers to ensure that a fair price is paid and commissions are not excessive. Because CFI is a valued client of the dealer community the prices paid on behalf of its clients are extremely competitive and commissions paid are minimal. In general, brokerage commissions are only charged on purchases and not sales.

Termination

Investment Management Services

All investment management services are continuous but may be terminated by either party at any time. Fees paid in advance will be prorated to the date of termination and any unearned portion will be refunded. Distribution of account assets or funds may be delayed until such time as outstanding transactions have settled. Should a client also terminate their custodial arrangement, the custodian reserves the right to withhold a reasonable amount of fund until such time as all outstanding charges have been paid.

Analysis and Consulting Services

All analysis and consulting services may be terminated by either party at any time. CFI will calculate the percentage of the project completed through the termination date and prorate the fixed fees accordingly.

Other Compensation

CFI believes that the receipt of commission payments represents a conflict of interest and therefore receives no other compensation than that derived from its investment management and analysis and consulting services. So called "soft dollar" compensation of any kind is prohibited

Because CFI places a high priority on placing its clients' needs first, the firm discourages its employees from engaging in other business activities involving compensation as this may deter from this mission. However, an employee may engage in an outside business activity with the prior permission of both the firm's chief executive officer and chief compliance officer. At present CFI has one employee that has been granted permission for an outside business activity which, to the best of CFI's knowledge, represents no conflict of interest. Please see CFI's ADV Part II Supplement B for further details.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Sharing of Capital Gains

CFI does not charge performance-based fees nor does it participate in any other way in client gains and losses.

TYPES OF CLIENTS

CFI offers its investment management services to individuals, high net worth individuals, trusts and estates, foundations, and individual retirement accounts. In addition we offer our services to corporations, financial institutions, charitable organizations, small businesses and pension and profit sharing plans.

Account Requirements for Discretionary Accounts

CFI requires a minimum account size of \$2 million to ensure proper diversification within a portfolio.

CFI reserves the right to sell some or all of the securities in a client account after the initial receipt of the account or the deposit of additional securities into the account. With regard to existing assets held outside of the account which are to be placed under CFI's management, it is generally CFI's policy to do one of the following: 1) accept the security into the account, having found it suitable for the client's portfolio, 2) accept the security into the account, but, having found it unsuitable for the portfolio, liquidate such security, or 3) having found the security unsuitable and believing that it is in the client's best interest, CFI would advise the client to liquidate the asset and have the proceeds forwarded to CFI. CFI makes every effort to minimize the tax consequences resulting from transactions done within a given portfolio. However, clients are advised that they are responsible for any tax liabilities that may occur as a result of securities being liquidated or called at a price other than their respective book value.

Occasionally clients may have assets that are not part of the advisory agreement and not managed by CFI although they are held by the same custodian in the same account as managed assets. CFI strongly recommends against this situation and recommends that a client set up a separate account for non-managed assets. However, on those occasions where non-managed assets are held in the client's CFI account, CFI requires the client to acknowledge in writing that the holding is considered to be a non-discretionary asset and its management remains as the sole responsibility of the client.

Account Requirements for Non-Discretionary Accounts

CFI restricts its management of non-discretionary accounts to financial institutions. Non-discretionary accounts are accepted on a case-by-case basis and only after careful review to ensure that there are no conflicts of interests with existing accounts. Exceptions to this policy require prior approval from both CFI's board of directors and the firm's Investment Committee.

Acceptance as a non-discretionary account requires the establishment of specific and clearly delineated investment and operational parameters which are reviewed annually with the client. CFI's management responsibilities are extremely limited with regard to non-discretionary accounts, including but not limited to, the need for specific client approval before execution of any transaction. Furthermore, many standard functions normally handled by CFI on behalf its discretionary accounts do not apply on a non-discretionary basis. Therefore, any function not clearly delineated in the investment agreement for that specific client will be the client's responsibility. Further information is available upon request.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

CFI strives to provide sound advice to meet each client's investment objectives. Because CFI manages tailored portfolios, each client's needs and objectives will be different. However, CFI attempts to meet all clients' goals by managing the client's capital in a professional manner while managing the risks inherent in a securities portfolio (See "**RISKS**" section below for further discussion on such risks).

CFI invests in a variety of fixed income securities, including U.S. Treasuries, Government- Sponsored Enterprises ("GSE"), corporates and municipals. Within the municipal sector, CFI invests in tax-exempt municipals, taxable municipals, Build America Bonds ("BABs"), notes (BANs, TRANs and RANs), and putable securities. CFI does not invest in municipal bonds subject to the Alternative Minimum Tax ("AMT") without the expressed prior written permission of the client. For those accounts seeking current income CFI limits its use of zero coupon securities.

At CFI, portfolio managers communicate directly with the client or their designated representative, not through a subordinate or marketing representative. A client's goals and objective must be as clear as possible to all parties involved. Proper risk parameters are set in initial interviews and during the early stages of an account relationship and may be adjusted as necessary. Said parameters are discussed at the client's annual review, and more frequently as needed, should there be any material alteration in a client's financial picture. Upon request, CFI will, in consultation with a client, prepare a written investment policy statement tailored to that client's specific investment goals and objectives. Compliance to the policy's parameters is routinely monitored and reviewed, at least annually, with the client. It is the client's responsibility to notify CFI of any events that may affect such parameters.

CFI's investment approach is extremely conservative. It is also extremely aggressive. Although these statements seem to contradict one another, they are in fact complementary. The conservative approach strives to mitigate the risks previously mentioned. This defensive strategy also helps to minimize volatility and vulnerability. Portfolios are structured to allow clients to profit from adverse events, rather than fall victim to them. However, the consequence of a defensive-only strategy is that the portfolio, while safe, will under-perform. The best of both worlds is to have a portfolio that mitigates risk while at the same time providing competitive returns.

CFI utilizes a variety of investment analysis tools including, but not limited to, its own internal research and proprietary modeling, external research and analyses, and market information gleaned from both public and private sources. The firm subscribes to several industry periodicals and

publications as well as employing industry resources such as Bloomberg, J.J. Kenny and Municipal Market Data ("MMD"). In addition, CFI's portfolio managers have long-established and valued relationships at all levels of the municipal industry including underwriters, investment bankers, traders and institutional sales forces. This extensive networking system provides CFI with a plethora of information and data not readily available to the individual investor.

We do not like surprises and we know our clients don't either. A client is notified in writing of every transaction in their portfolio. Regardless of the merits of a given investment, if it conflicts with the strategy previously identified and agreed to by the client, the client will be consulted and approval obtained before making such an investment.

Clients are advised that there are no guarantees as to performance and losses are always possible. Past performance is not indicative of future results. Likewise, due to the tailored nature of each portfolio, performance results will vary among clients. Clients are requested to inform CFI as soon as possible of changes in their situation that would have a material impact on the strategies employed in managing their account.

General Risk of Loss Statement

All investments have associated risks. Clients are advised to carefully consider the following:

1. That investing in securities, including bonds, involves risk of loss which you should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time your assets may fluctuate and at any given time may be worth more or less than the amount you invested, and;
4. That you should only commit to CFI the management of those assets you believe you will not require of others purposes in the immediate future.

Investment Risks

As with all securities portfolios, there are certain inherent risks to investing in fixed income assets. As active portfolio managers, CFI seeks to reduce or mitigate such risks in relationship to each client's risk tolerance level as well as their goals and objectives. Risks can never be totally eliminated. However, they can and should be managed. CFI manages these various risks through a variety of strategies, research tools and proprietary measures. These factors are discussed in depth with prospective clients as well as on an ongoing basis with existing clients.

There are a variety of risks associated with fixed income investing, including, but limited to, credit risk, interest rate (aka market) risk, liquidity risk, prepayment risk, media (aka headline) risk, and legislative (aka political) risk. Chief among these risks is credit risk. CFI believes that credit concerns trump all other reasons, no matter how compelling, to acquire or to hold a bond. Risks to a client's portfolio are monitored through the use of investment policy statements, clearly delineated guidelines, and diligent and ongoing credit reviews. CFI's "active management" approach keeps a client's holdings on our "radar screen" such that any credit challenges are usually identified long before the general marketplace is aware of any such issues. Every effort is made to ensure that client

portfolios are not put at undue risk. However, despite the most vigilant and concerted efforts, some events are, simply unforeseeable.

In addition to investment risks, there are many other risk factors that affect a portfolio. Some risks are beyond the control of CFI while others can limit CFI's ability to optimally manage an account. Such risks include, but are not limited to, random event risk, actions of clients, tax loss selling, client attempts at market timing, untimely client withdrawals and other restrictions placed upon the account. Furthermore, not all risks are foreseeable, knowable or disclosable in a timely manner. Future developments, surprise events, or seemingly minor factors that can result in major losses occur frequently in finance and can have a material adverse effect on a client's portfolio. It is CFI's belief that investors tend to be dismissive of risk warnings and complacent about taking action. Clients should make sure they fully understand all potential risks and disclosures by CFI, custodians and others.

DISCIPLINARY INFORMATION

Legal and Disciplinary

We are required to disclose whether there are any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

On December 31, 2009 certain investors in a hedge fund managed by Rockwater Municipal Advisors, LLC ("RMA"), sued several entities and people, including CFI, claiming damages for losses they claim to have suffered by investing in the hedge fund. CFI did not recommend the hedge fund to these investors, it did not manage the hedge fund, and these investors were never CFI clients. CFI believes this suit to be entirely without merit and is vigorously defending its position. CFI's daily management of client portfolios remains unaffected.

CFI has never been sanctioned or disciplined by any regulatory or enforcement authority.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Financial Industry Activities

CFI presently has no affiliation or material relationships with any other related financial industry participants or product sales firms.

Affiliations

Although CFI does not solicit the management of equity assets, CFI does occasionally make recommendations for equity advisors. However, any such recommendation is solely in response to a client's unsolicited request. CFI receives no compensation from either the client or the recommended advisor(s).

CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

CFI has adopted a Code of Ethics that sets forth the standards of conduct expected of advisory personnel. It requires supervised persons to report, and CFI to monitor and address certain business activity or conduct to avoid potential conflicts of interest. The Code of Ethics stresses compliance with fiduciary duties, fair dealing, confidentiality, regulatory matters and material disclosures. A written copy of the Code of Ethics is available upon request.

Participation in Client Transactions

CFI requires that all officers, directors, and employees reveal to the Chief Compliance Officer their interest in securities of the same class as those purchased or sold for clients. To ensure that no employee trades their own securities ahead of client trades, all officers, directors, and employees are prohibited from purchasing or selling a security for their own account within 24 hours either preceding or following an anticipated purchase or sell transaction done by CFI on behalf of its clients. Employees may, however, participate as part of a "bunched" order with clients simultaneously but only after the CCO has determined, for a given transaction, that bundling is consistent with CFI's policy on best execution and that no client is favored over another by the bundling. Additionally, if the holding of any officer, director or employee is determined to be significant, disclosure of such holding will be made to all clients before or at the time of a transaction. CFI does not participate in Initial Public Offerings ("IPO") of equity securities nor does it allow its employees to do so.

Personal Trading

CFI regularly monitors all employees personal securities transactions to ensure compliance with the firm's policies and procedures. All employees must submit a quarterly statement of securities transactions which are reviewed by the firm's Chief Compliance Officer. In addition each employee must sign the firm's annual holdings report and provide a copy of the year-end statement held from any brokerage accounts in which reportable securities are held. Both these reviews ensure that the personal trading of employees does not affect the markets, and that CFI clients receive preferential treatment.

Client Privacy

In compliance with the Gramm-Leach Bliley Act and SEC Regulation S-P, CFI has established and maintains procedures to safeguard its clients' confidentiality. All client accounts are handled with the utmost discretion. As an investment advisor, CFI conducts all of its clients' investment activities through third-party custodians (See section entitled "**Custody**"). As a general practice, CFI will share a client's personal information with that client's respective custodian. CFI may also, upon the client's approval, share transaction information with the client's accountant or attorney. CFI does not sell or intentionally share any personal nonpublic information with any third party other than the custodian and authorized third parties as described above. Only authorized employees are permitted access to and empowered to disclose nonpublic data. Additionally, CFI maintains physical, electronic and



procedural safeguards to protect all client nonpublic personal information.

CFI maintains in its files the privacy policies of its clients' custodians as well as those broker/dealers and other vendors serving CFI. CFI routinely monitors these privacy policies and makes every effort to inform a client of changes that affect their account. However, CFI recommends that clients also maintain their own set of applicable records (i.e. custodial notices). It is the client's responsibility to review these policies and to exercise any "opt-out" option if so desired.

As a federally regulated Registered Investment Advisor, CFI is subject to regular audit by the Securities and Exchange Commission (SEC). SEC auditors are granted access to any and all of CFI's records as they may reasonably request.

BROKERAGE PRACTICES

Selection of Brokerage Firms

Discretionary Separately Managed Portfolios

CFI reserves the right to select the brokerage firms and brokers through whom securities transactions are executed and the commission rate at which securities transactions are executed unless directed otherwise by its clients. In selecting brokerage firms and brokers, the firm evaluates their effectiveness, efficiency in executing transactions, and competitiveness of net prices. The firm negotiates, whenever possible, the commission rate on all discretionary trades, striving to achieve commission discounts that are competitive with those offered by other firms for like transactions. CFI receives no fees or commissions from any of these arrangements.

Clients may direct the use of any broker/dealer of their choice. If so directed, CFI may be unable to negotiate commissions, obtain volume discounts, or otherwise ensure best execution. The use of a directed broker/dealer may result in a disparity in commission charges vis-à-vis the firm's other clients.

Non-Discretionary Bank Portfolios

The management of non-discretionary accounts requires that CFI do business with a specific list of approved dealers when executing transactions for these accounts. This list is reviewed and approved annually by the client bank's board of directors. On rare occasions, and only when it is in the client's best interest, CFI may execute a trade with a non-approved broker/dealer. In such instances the client must authorize the transaction BEFORE execution and such authorization must be duly noted in CFI's correspondence with the client.

Best Execution and Allocation

Purchase Transactions

CFI actively manages its clients' portfolios. The firm has trading relationships with over forty (40) broker/dealers nationwide. The firm's portfolio managers are constantly evaluating a wide variety of



offerings in both the primary and secondary markets. Individual acquisitions are made based on a client's specific goals and objectives. Should a specific offering fit more than one portfolio, bonds are allocated, if possible, on a pro-rata basis in keeping with the standard lot size for each account. When the lot size does not allow pro-ration other factors such as most recent transactions, availability of settlement funds, and similar holdings within the portfolio are applied to ensure all clients are treated fairly.

Although CFI strives to comply with a client's desires, clients should be aware that the use of a custodian requiring trade executions SOLELY through the Prime Broker system may experience disparities similar to those previously mentioned or other factors that could affect the best execution of trades.

Sale Transactions

In most cases, CFI will put bonds it wishes to sell on behalf of the client out for competitive bid. Occasionally CFI may wish to re-purchase such bonds for another CFI client. In such cases, CFI adheres to stringent procedures. Specifically, CFI must 1) determine an acceptable purchase price in advance and 2) indicate its bid price to an approved broker dealer BEFORE receiving all other bids. Bonds traded under these circumstances are not considered to fall within the "cross transaction" category.

Cross Transactions

From time to time, CFI may wish to effect a cross transaction of fixed income securities between clients. CFI acknowledges its duty to seek best execution for its clients and acknowledges that the use of cross transactions may raise potential conflict of interest under the antifraud provisions of the Investment Advisers Act of 1940, Section 206(3) and Section 206 (4). Therefore, cross transactions are only considered when the need to liquidate securities results in an availability of securities that are appropriate for another account. CFI prohibits the need to purchase securities as the sole reason for identifying sale candidates nor does it allow the need to sell an issue as the sole reason for purchase of such by another client. When affecting a cross transaction, CFI does not act either as principal or agent through a broker/dealer or otherwise receive commissions or any type of compensation for effecting cross trades. CFI's sole intent for doing a cross trade is to act in the best interest of each client in accordance with their respective investment objectives. Cross trades are an exception to CFI's normal operating procedures and are only used when it is of conspicuous advantage to both accounts in the absence of appropriate and comparable alternatives. CFI requires verbal authorization from all parties before execution, including acknowledgment of each client's understanding of the nature of the cross trade, the pricing methodology used, and the rationale on which the transaction is based. All verbal authorizations must be followed up with written verification of client's consent. Before execution, CFI requests two-sided markets from at least two bona fide registered broker/dealers. CFI uses as the execution price the average of the prices obtained.

Order Aggregation

CFI may aggregate trades with other client accounts for block trading purposes. Each account will participate in an aggregated order at the average price, with all transaction costs shared on a pro-rata basis. No account will be favored over any other, but on block orders that are only partially filled, priority will generally be given first to accounts based on invested status, with a reasonable attempt to prorate allocations. Invested status is determined either individually or in combination with many factors including amount of cash held, percentage of cash held versus total account value, amount of specific security held and percentage thereof versus the total account value, amount of specific issuer exposure and percentage of sector exposure versus total account value or other relevant issues. Block trading in no way diminishes the individual attention given to client accounts and indeed can allow for better overall execution and generally reduced trading costs. Trades will not be combined if, in CFI's opinion, to do so would be to a client's disadvantage.

Gains and Losses

When comparing municipal bond performance investors are advised to keep in mind that the need for tax-free income should be weighted heavily against gains taking to improve the total return of the portfolio. Gains trading without the benefit of offsetting losses more often than not simple converts a future stream of tax-free income into a present tax liability while sacrificing advantageous and often irreplaceable cost yields. For this reason, the yearly number of transactions within CFI managed portfolios depending on investment parameters, may vary widely.

Clients are responsible for any tax liabilities that result from transactions in their account. CFI uses the FIFO ("First In, First Out") method when calculating gains and losses, unless directed otherwise by the client at the time the account is opened. It is the client's responsibility to notify CFI if an alternate accounting methodology is desired.

Soft Dollar Arrangements

CFI does not engage in soft dollar arrangements nor does it compensate broker dealers for any client referrals.

REVIEW OF CLIENT ACCOUNTS

Ongoing Portfolio Reviews

All investment advisory accounts are reviewed quarterly by the firm's Chief Investment Officer ("CIO"). In addition, securities are monitored on a monthly basis. This process provides an ongoing discipline. Accounts are reviewed with regard to asset allocation, diversification, liquidity and the level of current income consistent with the goals and objectives of each client.

Periodic Client Reviews

Discretionary Separately Managed Portfolios

CFI meets with each client at least once a year. New clients are invited to meet with CFI's portfolio managers on a more frequent basis during the first year. Meetings are normally done in person at CFI's offices, the client's home or office, or at a mutually convenient location. At the client's request, CFI will conduct an account review by telephone. All reviews are conducted either by the firm's CEO or a senior portfolio manager. A research analyst may or may not be present, depending on the complexity of portfolio holdings.

Clients receive both a written and verbal review of their portfolio's performance, an analysis of its holdings, and, where applicable, a recap of their investment policy statement. CFI believes that there is no substitute for a candid, open discussion of a client's investment requirements and CFI's capabilities. It is our firm's policy to advise clients what we believe to be the best thing to do and then do what our clients ask us to do.

Clients are encouraged to notify CFI of any material changes in their investment needs or other potential life issues that would impact their overall investment requirements. When necessary, a client meeting will be scheduled to review these events and to adjust the investment strategy accordingly.

Non-Discretionary Bank Portfolios

Non-discretionary clients are provided with an annual review and, when and where appropriate, CFI makes recommendations for change(s) in the client's investment policy. CFI does not have direct responsibility for trade settlement, account reconciliation, or maintenance of regulatory filings but does assist clients with these tasks. CFI does provide non-discretionary clients with a monthly statement of holdings and, on a quarterly basis, a variety of reports designed to assist with the

compliance and reconciliation requirements in order for such clients to comply with all applicable local, state and federal regulations.

Account Reporting

CFI provides trade notifications and quarterly appraisals to all clients. The trade notifications list the description of securities, CUSIP numbers, trade and settlement dates, number of shares or par value, unit price, principal, commissions, interest, SEC fees and net amounts. The quarterly appraisals list all securities held, the number of shares or par value, the market price and value. At calendar or fiscal year-end, all "discretionary" clients are also given an annual report, summarizing all transactions involving capital gains and losses, dividend and interest income, and other pertinent data affecting tax information

CLIENT REFERRALS AND OTHER COMPENSATION

Solicitor Relationships

From time to time CFI may enter into an arrangement with solicitors to compensate them, either directly or indirectly, for client referrals. CFI is aware of the special considerations promulgated under Section 206(4)(3) of the Investment Act of 1940 ("Act"). As such, all written instruments will be maintained by CFI and all federal and state laws will be observed.

Each solicitor must represent that he/she has not been: subject to an order of the SEC under Section 203(f) of the Act; convicted within the last ten years of any felony or misdemeanor involving conduct described in Section 203(e)(2)(A)-(D) of the Act; found by the SEC to have engaged, or convicted of engaging, in any of the conduct specified under (1), (4) or (5) of Section 203 (e) of the Act; subject to an order, judgment or decree described in Section 203 (e)(3) of the Act. Each solicitor must further agree to advise CFI immediately of any changes in such representations.

Solicitors are required to furnish each potential client with a copy of CFI's Form ADV Part II and a full written disclosure describing the terms and fee arrangements between CFI and the solicitor.

Solicitors are not agents of CFI in the common law sense and the authority to represent CFI is limited. Solicitors have no power to bind or obligate CFI to any contract or other obligation. Solicitors will not attempt to do so and should not hold themselves out as having authority or power.

Sub-Advisory Relationships

CFI has entered into sub-advisory relationships with other registered investment advisors, to provide fixed income management services to those clients specifically designated by these advisors. CFI does not differentiate between such sub-advisory accounts and other CFI clients with regard to its portfolio management strategies, policies or procedures. Such sub-advisory accounts may, however, have a separate compensatory agreement with said investment advisers.

Sub-advisers are responsible for client recordkeeping, reporting and other compliance matters required under state and federal rules and regulations, including but not limited to the client's annual review. Given the reduced level of services provided by CFI, the management fee paid to CFI by the investment advisors are generally lower than the traditional management fee charged by CFI to non-sub-advisory accounts.

Referrals From Broker-Dealers

Occasionally CFI receives a client referral from a broker familiar with CFI's management style. CFI is happy to meet with the prospective client. CFI does not guarantee the acceptance of a referral as an account even if said referral meets CFI's minimum requirements. CFI's compliance policy prohibits the compensation any broker for a client referral either directly or indirectly through future trade

commissions or soft dollar arrangements (see "Soft Dollar Arrangements"). The firm's compliance and operations staffs closely monitor broker commissions to ensure that no favoritism is given.

CUSTODY

Third Party Custodian Requirement

CFI conducts all its clients' activities through an independent third-party custodian selected by the client. CFI does not and will not have custody of client's funds and securities other than receiving directly from the client's custodian previously authorized credit for management fees (see "Billing Method"). Clients maintain at all times complete authority to access their assets and funds directly from the custodian.

CFI has through the years worked closely with a variety of custodians who are both skilled in the clearing and safekeeping of fixed income securities as well as offering competitive pricing for their services. We are happy to recommend those custodians whose services best meet a client's needs. New clients will be asked by the custodian of their choice to complete and submit an account application. Our operations department stands at the ready to assist with any questions or concerns new clients might have with regard to the application. Upon approval by the custodian, CFI will ensure that clients are supplied with the appropriate contact information for said custodian and the procedures for depositing and withdrawing securities and cash to and from their account.

Account Statements

All CFI authorized custodians have agreed to provide clients with a monthly account statement, either via mail or electronically at the client's choosing. Clients are encouraged to compare the valuation of their CFI portfolio against the valuation reported by their custodian. While there will always be some slight differences as individual securities prices may vary and in some cases accrued interest is not shown on the custodian's statement, clients are advised to notify CFI promptly should there be a significant disparity in how a particular asset is priced.

Record Retention and Reconciliation

Commencing in 2011, custodians and other reporting entities will be required to report to the IRS the adjusted cost basis of securities sold, including whether any gain or loss is short or long-term. The regulations will apply only to new acquisitions (including gifted and inherited securities). The new requirements will be phased in over the next few years and will not become applicable to fixed income securities until 2013. It is CFI's practice to advise both current clients and prospective clients of the need to retain all confirmations and other transaction records to ensure proper tax reporting.

Although CFI monthly reconciles its records to those of its clients' custodians, CFI is not subject to the Rule's requirements for an annual surprise examination and internal control report concerning those assets.

INVESTMENT DISCRETION

Discretionary Authority for Trading

Please see Advisory Services Offered under Advisory Business for details.

VOTING CLIENT SECURITIES

Proxy Votes

CFI does NOT vote any proxies on behalf of its clients and the client is ultimately responsible for collecting a proxy and submitting it in a timely fashion. CFI notifies each client's custodian to forward all proxy materials to the client. All clients are given written notification that they may vote via the internet at www.proxyvote.com or by phone at 800-690-4238 as well as download proxy statements from the SEC Edgar database at www.sec.gov. Upon request, CFI will assist clients in voting a proxy. However, CFI does not give any advice or make any recommendation with regard to the issues involved, although it may share its opinion and/or encourage a client to seek an objective third party for advice. A full copy of CFI's Proxy Policy is available on request.

FINANCIAL INFORMATION

Financial Condition of CFI

CFI does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance.

CFI does not foresee any financial condition that is reasonably likely to impair the firm's ability to meet its contractual commitments to clients.

ADV PART 2A – WRAP FEES

Wrap Fees

CFI historically has not participated in any wrap fee programs and currently has no future plans to do so.